

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 /018 W
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R 191700Z MAY 76
FM AMEMBASSY QUITO
TO USDOC WASHDC
INFO AMCONSUL GUAYAQUIL
SECSTATE WASHDC 198

UNCLAS QUITO 3627

E.O. 11652: N/A
TAGS: EINV, EC
SUBJECT: INVESTMENT OPPORTUNITY: NEW HOTEL IN QUITO

REF: QUITO A-46

1. THE QUITO TENNIS CLUB, A PRESTIGIOUS ORGANIZATION LOCATED IN AN UPPER-CLASS RESIDENTIAL AREA OF QUITO, IS SCHEDULED TO MOVE TO LARGER QUARTERS FURTHER OUT OF THE CITY SOON AFTER THE END OF THIS YEAR. A LOCAL ECUADOREAN COMPANY, "PROMOCIONES QUITO," IS UNDERTAKING A VENTURE TO ACQUIRE THE SITE (WITH THE EXISTING FACILITIES THERE, SUCH AS A SALON AND SNACK BAR) FOR THE CONSTRUCTION OF A 250-ROOM HOTEL IN THE "5-STAR" CATEGORY.

2. THE LOCAL FIRM REQUIRES A TOTAL OF \$10 MILLION FOR THIS VENTURE. IT HAS AVAILABLE \$2.8 MILLION OUT OF ITS OWN RESOURCES. IT IS OPTIMISTIC THAT AN ECUADOREAN GOVERNMENTAL ENTITY, THE COMISION DE VALORES/CORPORACION FINANCIERA NACIONAL (CV/CFN), WILL PROVIDE \$5 MILLION--BUT ONLY IF THE REMAINING BALANCE OF \$2.2 MILLION CAN BE OBTAINED FROM PRIVATE SOURCES.

3. THE LOCAL COMPANY WOULD MUCH PREFER TO OBTAIN THE REQUIRED \$2.2 MILLION FROM U.S. PRIVATE INVESTORS. THE COMPANY ASSERTS THAT IT ALREADY HAS HAD SOME DISCUSSIONS WITH REPRESENTATIVES OF WELL-KNOWN U.S. HOTEL CHAINS (INCLUDING HILTON, HOLIDAY INN AND HYATT), AND THAT EACH OF THESE HAS OFFERED TO PUT UP A RELATIVELY SMALL AMOUNT OF THE REQUIRED
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FINANCING--UP TO A FEW HUNDRED THOUSAND DOLLARS--IN ORDER TO ASSUME ADMINISTRATION OF THE PLANNED HOTEL, ALTHOUGH

APPARENTLY NONE OF THESE FIRMS HAS YET PUT FORTH ANY CONCRETE COMMITMENT IN THIS RESPECT.

4. THE FIRM FURTHER ASSERTS THAT A FEASIBILITY STUDY FOR THIS PROJECT WAS COMPLETED IN NOVEMBER 1974 BY A U.S. FIRM'S SUBSIDIARY, BASED IN CARACAS, HORVATH Y HORVATH (WE ARE NOT CERTAIN OF THE SPELLING OF THIS NAME).

5. INQUIRIES SHOULD BE ADDRESSED TO CESAR VASQUEZ G., MORENO BELLIDO 493 Y MARIANA DE JESUS, QUITO (TEL: 527-882). THE EMBASSY WOULD APPRECIATE RECEIVING COPIES OF ANY CORRESPONDENCE ADDRESSED TO MR. VASQUEZ ON THIS SUBJECT; COPIES SHOULD BE ADDRESSED TO E.M. COHEN, QUITO, U.S. DEPARTMENT OF STATE, WASHINGTON, D.C. 20520.

6. QUITO AT PRESENT HAS TWO 5-STAR HOTELS, ONE OF WHICH, THE HOTEL COLON INTERNATIONAL, IS IN THE PROCESS OF COMPLETING THE ADDITION OF A NEW WING WHICH WILL MORE THAN DOUBLE THE HOTEL'S CAPACITY TO A TOTAL OF 450 ROOMS. THE OTHER, THE HOTEL INTERCONTINENTAL QUITO, REPORTEDLY HAS PLANS TO APPROXIMATELY DOUBLE ITS EXISTING CAPACITY OF 229 ROOMS IN THE NEAR FUTURE.

7. THESE AMBITIOUS WORKS AND PLANS EVIDENTLY ARE FOUNDED ON THE BELIEF THAT ECUADOR HAS CONSIDERABLE POTENTIAL FOR TOURISM DEVELOPMENT. AS REPORTED IN REFAIR, CV/CFN IS PROVIDING SUBSTANTIAL FINANCING FOR THE CONSTRUCTION OF LARGE HOTELS IN SEVERAL OTHER MAJOR CITIES OF THE COUNTRY. THESE EXPECTATIONS OF INCREASED TOURISM IN THE NEAR FUTURE ARE BEING FURTHER ENCOURAGED BY CONTINUING IMPROVEMENTS IN ECUADOR'S INTERNATIONAL AIR CONNECTIONS, WHICH UNTIL RECENTLY WERE QUITE INADEQUATE IN CAPACITY AND FOR THE MOST PART WERE SCHEDULED FOR LANDINGS OR TAKEOFFS AT INCONVENIENT VERY EARLY-MORNING HOURS. THE RECENT SIGNING OF A "SUPPLEMENTARY UNDERSTANDING" TO THE U.S.-ECUADOREAN BILATERAL CIVIL AVIATION AGREEMENT HAS ENABLED THE MAIN CARRIERS LINKING THE TWO COUNTRIES--BRANIFF AND ECUATORIANA--TO INCREASE THEIR FREQUENCIES, ADD NEW ROUTES (INCLUDING MUCH IMPROVED CONNECTIONS WITH THE U.S. WEST COAST), AND OFFER MORE NON-UNCLASSIFIED
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STOP FLIGHTS (ECUATORIANA ON APRIL 30, 1976, INAUGURATED FOUR WEEKLY FLIGHTS BETWEEN ECUADOR AND NEW YORK, ONE OF WHICH IS NON-STOP).

8. ECUADOR UNDOUBTEDLY HAS ENORMOUS POTENTIAL FOR DEVELOPMENT OF TOURISM, WITH SCENIC ATTRACTIONS VARYING FROM GALAPAGOS ISLANDS TO PACIFICO COASTAL BEACHES TO SNOW-COVERED ANDEAN MOUNTAINS AND VOLCANOES TO EASTERN TROPICAL JUNGLES INHABITED BY ABORIGINAL INDIANS AND EXOTIC FLORA AND FAUNA. WE BELIEVE HOTEL VENTURES WILL PROVE SUCCESSFUL ONLY TO THE

EXTENT THAT INVESTORS IN THEM ARE WILLING TO INVEST NOT ONLY IN CONSTRUCTION AND SUPPLIES BUT ALSO IN PROMOTIONAL EFFORTS IN THE U.S. AND ELSEWHERE TO MAKE FOREIGNERS AWARE OF THESE ATTRACTIONS. ALSO, WHILE ECUADOR IS STILL AN UNSPOILED "TOURIST'S PARADISE," IT IS ALSO AN UNDERDEVELOPED ONE, WITH GENERALLY POOR INTER-CITY ROADS, INADEQUATE INTER-CITY AIR TRANSPORTATION AND VIRTUALLY NO DEVELOPMENT OF SEVERAL POTENTIALLY ATTRACTIVE ARCHAEOLOGICAL SITES; SO THAT ANOTHER PREREQUISITE FOR MAXIMIZING THE SUCCESS OF HOTEL VENTURES WOULD BE STEPPED-UP GOE INVESTMENTS FOR INFRA-STRUCTURE. SOME PROGRESS TOWARDS THIS MIGHT BE MADE THROUGH A CONCERTED EFFORT PRESENT AND POTENTIAL INVESTORS IN HOTELS TO INDUCE THE GOE TO GIVE HIGHER PRIORITY TO SUCH WORKS. HEMENWAY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 19 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976QUITO03627
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760195-0504
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760537/aaaabfhh.tel
Line Count: 129
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 QUITO A-46
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 15 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 JUL 2004 by wolfsd>; APPROVED <12 JAN 2005 by CollinP0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INVESTMENT OPPORTUNITY: NEW HOTEL IN QUITO
TAGS: EINV, BTIO, EC
To: COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006